

***PLEASE NOTE: Since the Glendale City Council does not take formal action at the Workshops, Workshop minutes are not approved by the City Council.**

**MINUTES
CITY OF GLENDALE
CITY COUNCIL WORKSHOP
MARCH 20, 2007
1:30 P.M.**

PRESENT: Mayor Elaine M. Scruggs, Vice Mayor Manuel D. Martinez, and Councilmembers Joyce V. Clark, Steven E. Frate, David M. Goulet, Yvonne J. Knaack, and H. Phillip Lieberman

ALSO PRESENT: Ed Beasley, City Manager; Pam Kavanaugh, Assistant City Manager; Craig Tindall, City Attorney; and Pamela Hanna, City Clerk

1. ARIZONA SUPER BOWL HOST COMMITTEE 2011 BID REQUEST

CITY STAFF PRESENTING THIS ITEM: Ms. Debi Willis, Sr. Management Assistant; Ms. Jennifer Reichelt, Deputy Communications Director; Ms. Karen Churchard, Mega Events Consultant

This is a request for the City Council to provide direction on a request from the Arizona Super Bowl Host Committee (Host Committee) to support a bid to host Super Bowl XLV in 2011.

The deadline for the Host Committee to submit a bid to the National Football League (NFL) is April 2, 2007.

On Friday, February 9, 2007, staff received materials from the Host Committee with regard to the City of Glendale's requirements for the NFL Bid for Super Bowl XLV in 2011.

Michael Kennedy, chair of the Host Committee, presented information regarding the committee's request at the February 20, 2007 City Council workshop.

The Council directed staff to work with the Host Committee regarding proposed Glendale bid expectations and return to a future workshop.

On Monday, March 5, 2007, staff had a positive meeting with Mr. Kennedy, Ms. Debbie Wardrop and Ms. Sallie Sargent to discuss the bid elements related to Glendale. The meeting focused on three major topics:

- The city's estimated \$3.5 Million in expenses related to a 2011 Super Bowl and the city's need to look for opportunities to generate revenue to offset these costs;
- The Host Committee position on Major Event Public Safety Reimbursement Fund legislation; and
- The identification of 30,000 parking spaces required by the NFL.

The Host Committee representatives understood city expenses and the need to identify revenue-generating opportunities. Chairman Kennedy said he would talk with the Host Executive Committee regarding support for the public safety reimbursement legislation.

The Arizona Super Bowl Host Committee will submit 14,000 stadium parking spaces as part of the total 30,000 spaces required for the NFL bid specifications. The City of Glendale will provide its 11,385 already programmed spaces. Discussions are taking place between the Host Committee and Glendale Arena for the additional parking spaces required to meet the 30,000 spaces.

Staff was also directed at the February 27th meeting to come back with additional information including:

1. Data on the return on investment for Glendale for Super Bowl 2008
2. An accounting of the \$7M allocated for "National Events," including how much is remaining and what will be spent on the 2008 Super Bowl
3. Data on the return on investment from the 2007 Fiesta and BCS Bowls
4. How much is spent annually in Glendale for Special Events and Tourism produced by the city?
5. What is the return on investment for these events?
6. Data/statistics on the number of media references made to Glendale based on the Super Bowl and how much these references would have cost in real dollars
7. Quantification of businesses/development attracted to Glendale because of the 2008 Super Bowl

The city has engaged the services of Elliott Pollack to complete an economic impact analysis related to the Super Bowl that will address item one. Information will not be complete until the 2008 Super Bowl has been held and assessed.

Preliminary information regarding the National Events Fund indicates net costs to the city at \$3,423,000 leaving a fund balance of \$3,577,000. 2008 Super Bowl supplementals coming forward for Fiscal Year 2007-08 (FY07/08) equal \$3,411,000.

Background information on items three through six were included in the Council Communication.

With regard to item seven, staff has consulted with economic development experts who have indicated that it is not possible to predict or quantify the future related to Super Bowl business development. Economic impact and business attraction/development can only be measured after the event; however, due to the complex nature and reasoning organizations may employ in their decision to locate to Glendale, the Super Bowl may not be the only contributing factor to development.

On the afternoon of Thursday, March 15, 2007, the Host Executive Committee met to discuss future support of Major Event Public Safety Reimbursement Fund legislation. It is our understanding that, during that meeting, the Host Committee agreed to move forward with the concepts that were discussed during the March 5, 2007 meeting. It is further our understanding that the Host Committee has agreed in principle to support legislation to assist Glendale for public safety reimbursement and agreed to seek revenue generating opportunities to offset Glendale's expenses. This, in conjunction with the Host Committee's affirmation that Glendale staff will work directly with the Host Committee and NFL should we be successful in the 2011 bid, meets the previous requests that were made.

Hosting an event of the magnitude of the Super Bowl brings great prestige and promotion to Arizona, the Valley, and Glendale. Once Super Bowl XLII is held next year, a comprehensive assessment of both the expenses and revenues to Glendale will be completed.

This bid can be anticipated as the normal outcome of having a state-of-the-art facility in our community.

Staff is requesting that Council provide policy direction related to the Arizona Super Bowl Host Committee's request to support the Super Bowl Bid for 2011.

If directed to move forward the supporting resolutions will be brought forward for a formal vote at the March 27, 2007 City Council meeting.

If the bid is awarded, staff will provide funding options for the \$3.5 Million projected expenses via legislation or budgetary set-asides over a period of time based on the date of selection.

Ms. Jennifer Reichelt, Deputy Communications Director, stated that there had been a definite return on a marketing investment for the City of Glendale as an international sports and entertainment destination evident in the PR and media exposure, tourism inquiries and the special event economic impact. Events like the bowl games and the Super Bowl bring new visitors to the city as well as showcase the City of Glendale to a nationwide and international audience.

She stated that the City of Glendale received unprecedented media coverage during the months of October, November, December and January. She noted that Glendale was mentioned 8,487 times in print and Internet stories. She explained that on January 8th there were 102 Glendale mentions on the local television broadcast, which equates to more than \$100,000 dollars in free publicity for the city. She said that the Glendale's Visitor's Center had record activity, including phone calls, e-mails, walk-ins and request

for information as a direct result of the bowl games. She added that while the city has not conducted an economic impact specifically on tourism, they do have a study that shows that for every dollar spent on advertising it generates \$238 in direct spending. In addition, more than 500,000 people came to the city specifically to attend the special events. She stated that 70 Million was the combined number of people who watched the Fiesta Bowl and the BCS Bowl who before January 1st had probably never heard of Glendale Arizona.

Ms. Karen Churchard, Mega Events Consultant, gave a slide presentation on mega event funding. She stated that the City of Glendale created a reserve fund to pay for citywide improvements, infrastructure and operations relating to the Fiesta Bowl, BCS Bowl and Super Bowl events. The fund totaled \$7 Million with the ending balance \$3.577 Million with \$456,000 in reimbursements. She said that the expenses to date were \$3.879 Million; \$3.187 Million are paid to date with a \$692,000 of outstanding expenses.

Mayor Scruggs requested that additional information be given out to the media and the citizens of Glendale in regards to the \$7 Million event fund. She said she believes not everyone is clear on what the fund is being used for or what it was initially set up to do. She asked Ms. Churchard to proceed slowly and thoroughly with her break down of expenses. She added that the monument signage was also an expense coming out of the event fund in the amount of \$452,000.

Ms. Churchard provided a break down of the expenses. Infrastructure was \$1.24 Million for right away improvements. Public safety expenses to date were \$1.234 Million with an estimated \$653,000 of outstanding expenses. Marketing expenses to date were \$712,000, which was spent for media and Glendale tourism efforts with an estimated \$39,000 in outstanding expenses. She stated that \$3.3 Million was what had been spent to date with \$3.577 Million left over.

Mayor Scruggs noted that the travel expenses related to the mega events had not been added to the tally. She anticipates them to be forthcoming as a one-time expense.

Mr. Beasley asked Ms. Churchard to further explain the parking situation.

Ms. Churchard stated that the NFL has requested them to identify 30,000 parking spaces outside of the 300-foot perimeter. She said that there were 14,000 in the stadium parking lot that will be identified toward the 30,000 number as well as another 11,350 that the city has identified. The arena has approximately 5,500 to 6,000 in identified parking spaces. These are the numbers that the Bid Committee will be presenting to the NFL.

Councilmember Clark calculated the numbers again, noting that the only ongoing expenses were Public Safety and Marketing. She asked if they had considered inflation when estimating these figures. Ms. Churchard stated she did not know the exact figures in regards to inflation, however believes it would not be that high.

Councilmember Clark inquired if there was any way they would know if a business had relocated to Glendale specifically because of the bowl games. Ms. Reichelt stated that those were some of the many issues that will be studied and brought forward for review.

Mr. Beasley added that it could be impossible to adequately identify these sorts of issues because of the many factors that may bring someone to Glendale.

Councilmember Clark commented that this was a tremendous opportunity; however, she added that it was also a lot of work and pressure on the staff.

Councilmember Frate stated that the infrastructure improvements have benefited his district greatly. He added that had it not been for this fund, the wait for doing improvements would have been up to ten years. He said that the surrounding areas have also been immensely improved because of it.

Councilmember Lieberman commented that he believed that the \$3,411,000 might not be sufficient for the following years. He said that they need to start putting away funds should they move forward with this bid. He stated that he was concerned with the amount and source of money needed to move forward.

Vice Mayor Martinez also had concerns as to how funds will be generated. Ms. Churchard stated that they would be looking at opportunities for specific events to generate funds. Vice Mayor Martinez asked if possibly the NFL could help offset some of the cost.

Mayor Scruggs discussed the cost associated with the bowl games and how some cost cannot be controlled. She also questioned the amounts given to proceed forward with this bid. She questioned the amount of \$3,411,000 needed, when only \$1,887,000 was used for the Fiesta Bowl and BCS games. She reiterated that the \$7 Million raised was for different discretionary items and not only for bowl game expenses. She added that these events do bring opportunities to the city; however there are expenses that have to be met.

Ms. Churchard explained that the reason for the request for a larger fund amount was because of the longer time frame needed for the NFL, fire, police, Homeland Security and federal agencies to make arrangements for the tremendous effort leading up to the Super Bowl. She presented a cost break down estimate for the agencies involved. Mayor Scruggs suggested possibly asking the federal agencies for funding support.

Councilmember Lieberman asked where the funds to pay for the 2008 Fiesta Bowl would come from. Ms. Churchard stated that it would be part of the budget-moving forward not part of the National Events Funds. Mr. Beasley stated that they have a budget set aside for recurring games not reflected in the National Event Fund.

Councilmember Clark voiced her concerns with the City of Glendale incurring most of the cost for these games. She stated that the Fiesta and BCS games came with reimbursements from contributors, which were a great financial support. She would like to see other cities and entities come forward and contribute funds to help offset the cost since they too benefit from these events.

Councilmember Lieberman agreed with Councilmember Clark. He stated that he would like to see additional support come from the Host Committee and the NFL.

Mr. Beasley stated that this process was based on a competition between cities to host this event. He said he does not expect the NFL to lower its standards and they are typically non-negotiable. He added that they need to consider that those who put more on the table in a competition are the ones that are going to be successful in winning the bid. He noted that they need to take that into consideration when presenting their bid.

Ms. Churchard stated as a side note that the Host Committee has work extremely hard to raise \$15 Million for Super Bowl 2008.

Mayor Scruggs inquired as to what would happen if everyone should vote to move forward with a bid and the city does not. Mr. Kennedy stated that they would simply not submit the bid. He stated that he still believes this is a great opportunity for the City of Glendale. He said that the bid process was put in place by the NFL and it is the way they do business because this was a very coveted asset.

Mr. Kennedy stated that in response to Councilmember Clark's appeal for funding support, the \$15 Million the Host Committee raises would benefit Glendale directly. He stated that the Host Committee would also be responsible for game day expenses, which typically go to the stadium authority and the city in the amount of \$1 Million for funding. He reiterated the tremendous opportunity Glendale would pass up if they decided not to move forward with a bid. He stated that the price to pay was minuscule compared to the benefits. He asked the Council to seriously consider the opportunities and make a decision.

Vice Mayor Martinez stated that he had expressed concerns with the costs but is willing to move forward.

Councilmember Knaack stated that she had already put some thought into it and had made the decision to move forward with the bid.

Councilmember Goulet stated that this event was a status symbol and the mega event of the world. He said that people would remember and refer to it for a long time. He added that they would be able to have discussions with companies and individuals that would never have come but for this event. He said he is willing to move forward with the bid.

Councilmember Frate stated that this was a coveted event and he was willing to move forward. He stated that Glendale has already set a benchmark and needs to live up to it. He said that they may not win the bid but should demonstrate that Glendale is serious about hosting the Super Bowl in 2011.

Mr. Kennedy stated that they will have a budget of about \$1 Million to host a program for CEOs from around the world and will showcase Arizona including Glendale during the course of Super Bowl week.

Councilmember Lieberman stated that he had no objection to hosting another Super Bowl; however, he would like to know the cost associated with the Super Bowl being held in 2008 first. He also asked for a break down on the Host Committee's \$15 Million fund.

Mayor Scruggs stated that many people would like to see actual numbers on profit returns from these events, unfortunately there are no tangible numbers. She said that she still believes that these events bring many different opportunities to the city. She explained that Glendale has already positioned itself as a first rate city and will proceed accordingly. She stated that hosting the Super Bowl was seen as the ultimate coveted event and Glendale was in a position to host it. She stated that she supports the resolutions to be brought forward on March 27, 2007.

Mr. Kennedy stated the Host Committee is committed to sharing the financial

responsibility for hosting mega events such as the Super Bowl.

Mayor Scruggs stated that as of yet, there had not been an agreed upon approach in supporting legislation to fund the cost of mega events but she knows it is under review.

2. FY 2006-07 SECOND QUARTER GENERAL FUND STATUS REPORT ON REVENUES AND EXPENDITURES AND GENERAL FUND REVENUE PROJECTION FOR FY 2007-08

CITY STAFF PRESENTING THIS ITEM: Mr. Art Lynch, Deputy City Manager; Mr. Ray Shuey, Chief Financial Officer/Finance Director; Ms. Sherry Schurhammer, Budget and Management Director

This is a request for the City Council to review the Fiscal Year (FY) 2006-07 second quarter report on General Fund (GF) revenue and expenditures, as well as the FY 2007-08 GF revenue projection.

The FY 2006-07 GF second quarter reports and the FY 2007-08 GF revenue projections is consistent with the Council's goal of ensuring the city's financial stability by conducting timely reviews of expenditures and revenues.

In response to Council requests, staff committed to providing quarterly reports on the GF beginning with FY 2003-04.

The GF revenue projection for the upcoming FY has been presented with the second quarter report on the GF since 2004.

Second Quarter General Fund

The GF's second quarter revenue budget and actuals, as well as a comparison with the second quarter of last FY, are as follows (in 000s):

	FY 2006-07 Annual Budget	FY 2006-07 2nd Qtr Budget	FY 2006-07 2nd Qtr Actuals	FY 2005-06 2nd Qtr Actuals	% Change FY 2005-06 to FY 2006-07
City Sales Tax	\$62,172	\$ 31,086	\$ 32,776	\$ 29,349	+ 12%
State Income Tax	\$24,961	\$ 12,481	\$ 13,762	\$ 11,455	+ 20%
State Sales Tax	\$21,919	\$ 10,959	\$ 11,074	\$ 11,039	----
State MV In-Lieu	\$10,209	\$ 5,105	\$ 4,998	\$ 5,098	(2%)
HURF	\$15,838	\$ 7,919	\$ 8,257	\$ 8,046	+ 3%

Primary Prop Tax	\$3,784	\$ 1,892	\$ 2,001	\$ 1,969	+ 2%
All Other	\$29,316	\$ 14,658	\$ 15,586	\$ 14,743	+ 6%
TOTAL	\$168,199	\$ 84,100	\$ 88,454	\$ 81,699	+ 8%

The current FY's second quarter revenues are \$ 6.7 Million (8%) more than last FY's second quarter revenues.

The current FY's second quarter GF revenue receipts are \$4.3 Million (5%) more than budgeted.

City sales tax collections were almost \$32.8 Million. This amount is approximately \$1.7 Million (5%) more than budget. The \$32.8 Million is \$3.4 Million (12%) more than second quarter receipts in FY 2005-06.

State-shared revenue collections were \$29.8 Million. This amount is approximately \$1.3 Million (4.5%) more than budgeted. The three components of state-shared revenue are shown below:

- State income tax receipts were \$1.3 Million (10%) more than expected;
- State sales tax receipts were \$115,000 (1%) more than expected; and
- Motor vehicle in-lieu receipts were \$107,000 (2%) less than expected.

State-shared revenue receipts of almost \$29.8 Million are \$2.2 Million (8%) ahead of the \$27.6 Million collected in the second quarter of FY 2005-06.

HURF revenues are commonly called the gas tax, even though there are several other transportation-related fees that comprise this revenue source. Much of this revenue source is based on the volume of fuel sold rather than the price of fuel. HURF receipts were \$338,000 (4%) ahead of budget.

The FY 2006-07 second quarter budget expenditures and actual for the GF operating and pay-as-you-go (PAYGO) capital expenditures are as follows (in 000s):

	FY 2006-07 Annual Budget	FY 2006-07 2nd Qtr Budget	FY 2006-07 2nd Qtr Actuals	Amount Under/(Over) Budget
GF Salaries/Benefits	\$113,044	\$ 56,522	\$ 52,726	\$3,796
GF Non-Personnel	\$61,074	\$ 30,537	\$ 30,226	\$311
GF Debt Service (leases)	\$9,764	\$ 8,382	\$ 8,212	\$170

PAYGO Capital	\$9,107	\$ 4,553	\$ 3,299	\$1,254
TOTAL	\$192,989	\$ 99,994	\$ 94,463	\$5,531

Overall, second quarter actual were \$5.5 Million less than the amount budgeted. Salary savings totaled almost \$3.8 Million and non-salary savings totaled \$311,000. The actual figure in the debt service category reflects the planned, budgeted one-time \$7 Million payment for the Northern Crossing lease that occurred in the first quarter. The \$7 Million payment was discussed with the Council during the April 11, 2006 Workshop on the FY 2006-07 budget.

At the end of the second quarter of FY 2006-07, the budget-basis GF fund balance was just over \$51 Million, as illustrated below:

Beginning Fund Balance	\$62,415
Revenues	\$88,454
Expenses	(\$94,463)
Transfers Out	(\$ 4,900)
Fund Balance	\$51,506
Designated – National Events Fund	(\$ 500)
Remaining Fund Balance	\$51,006

Second Quarter Designated Sales Tax Receipts

At the end of the second quarter, the transportation sales tax budget to actuals comparison, as well as last FY's second quarter actuals, are the following:

	FY 2006-07 Annual Budget	FY 2006-07 2nd Qtr Budget	FY 2006-07 2nd Qtr Actuals	FY 2005-06 2nd Qtr Actuals	% Change FY 2005-06 to FY 2006-07
Transportation Sales Tax	\$23,475	\$11,737	\$12,987	\$11,343	15 %

The current FY's second quarter revenues are \$1.6 Million (15%) more than last FY's second quarter revenues.

The current FY's second quarter revenues are \$1.2 Million (11%) more than the second quarter budget.

At the end of the second quarter, the public safety sales tax receipts were the following (in 000s):

	FY 2006-07 Annual Budget	FY 2006-07 2nd Qtr Budget	FY 2006-07 2nd Qtr Actuals	FY 2005-06 2nd Qtr Actuals	% Change FY 2005-06 to FY 2006-07
Police sales tax	\$3,123	\$ 1,561	\$1,733	\$1,499	15%
Fire sales tax	\$1,561	\$ 780	\$866	\$750	15%

The current FY's second quarter police sales tax revenues are \$234,000 (15%) more than last FY's second quarter revenues.

The current FY's second quarter fire sales tax revenues are \$116,000 (15%) more than last FY's second quarter revenues.

For the current FY, the police component of the public safety sales tax was \$172,000 (11%) ahead of budget.

For the current FY, the fire component of the public safety sales tax was \$86,000 (11%) ahead of budget.

These receipts are not included in the GF city sales tax figure provided in the prior section of this report.

FY 2007-08 General Fund Revenue Projection

The economy continues to grow robustly, as reflected in the fact that the city's GF revenue collections through the first six months of the current FY are \$6.7 Million (8%) ahead of last FY's receipts through the second quarter.

The consensus among experts on the Arizona economy is that vibrant and strong growth will continue for the remainder of this year and next year. This expected growth is fueled by continued increases in population growth and job creation, and complemented by healthy gains in personal income.

- According to Elliot Pollack, a recognized expert on the Arizona economy, Arizona was second in the country for job growth in 2005 and 2006. For population growth, Arizona was second in 2005 and first in 2006. These trends are expected to continue for the foreseeable future.
- According to Marshall Vest, another recognized expert on the Arizona economy, personal income in the Phoenix metropolitan area grew 8.9% in 2005 and 10.4% in 2006.
- Growth in personal income for the Phoenix metro area is estimated to be between 6.8% - 7.4% for 2007 and 6.6% in 2008 according to a range of experts on the Arizona economy.

The GF ongoing revenue projection for FY 2007-08 is \$186.1 Million. This projection is fiscally prudent and reasonable because it is based on past collections experience for the local and state economy for this year and expectations for next year.

The following table reflects Glendale's ongoing GF revenue actual since FY 2001-02, as well as the estimate for this FY and the projection for next FY.

Fiscal Year	Ongoing Actuals (1x revenues excluded)	% Change From Prior FY
2001-02	\$116.5M	---
2002-03	\$122.2M	4.9%
2003-04	\$138.1M	13%
2004-05	\$146.5M	6.1%
2005-06	\$166.5M	13.6%
2006-07 estimate	\$173.7M	4.3% (estimate)
2007-08 projection	\$186.1M	7.1% increase from FY 2006-07 estimate

The average annual growth rate was 9.4% between FY 2001-02 and FY 2005-06. This robust average annual growth rate is the result of very strong growth in city sales tax receipts and more moderate growth in state-shared revenue receipts.

Once we include next FY's projection, there is expected to be an almost \$70 Million, or 60%, increase in GF ongoing revenue since the end of FY 2001-02.

This overall growth in GF ongoing revenues is significant because it means the city can support and maintain quality ongoing city services, as directed by the Council, which contribute to a high-quality of life for the Glendale community.

The two major sources of revenue for the GF are city sales tax receipts and state-shared revenues. The sources have comprised between two-thirds and three-fourths of the GF ongoing revenue since FY 2001-02 and are expected to continue to do so for FY 2007-08.

The following table shows Glendale's city sales tax actual since FY 2001-02, as well as the estimate for this FY and the projection for next FY.

Fiscal Year	City Sales Tax Revenues	% Change From Prior FY
2001-02	\$41.4M	---
2002-03	\$43.5M	5.1%
2003-04	\$49.8M	14.5%
2004-05	\$52.5M	5.4%
2005-06	\$59.7M	13.7%
2006-07 estimate	\$63.6M	6.5% (estimate)

2007-08 projection	\$67.5M	6.1% increase from FY 2006-07 estimate
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The average annual growth rate for city sales tax collections was 9.7% between FY 2001-02 and FY 2005-06.

Once the FY08 projection is included, there is expected to be a \$26 Million, or 63%, increase in city sales tax revenue since the end of FY 2001-02. As Glendale continues to grow its sports, entertainment, and retail destination point for Arizona and points beyond, this revenue source should continue to experience healthy growth.

The expected growth for FY 2007-08 is in line with the forecasts of retail sales growth in the 5% - 7% range that Arizona economy experts have projected.

The following table shows Glendale's state-shared revenue actual since FY 2001-02, as well as the estimate for this FY and the projection for next FY.

Fiscal Year	State-Shared Revenue Actual	% Change From Prior FY
2001-02	\$46.9M	---
2002-03	\$49.0M	4.5%
2003-04	\$47.0M	(4.1%)
2004-05	\$49.7M	5.7%
2005-06	\$56.6M	13.9%
2006-07 estimate	\$61.1M	7.9% (estimate)
2007-08 projection	\$69.6M	13.9% increase from FY 2006-07 estimate

The average annual growth rate for city sales tax collections was 5% between FY 2001-02 and FY 2005-06.

Once the FY08 projection is included, there is expected to be an almost \$23 Million, or 48%, increase in state-shared tax revenue since the end of FY 2001-02.

State-shared revenue is comprised of three sources: state income tax, state sales tax, and motor vehicle in-lieu tax.

The most significant component of state-shared revenue is income tax. This revenue source is primarily driven by personal income growth. Income tax revenue lags by two years so the state income tax receipts for FY 2007-08 will reflect the personal income growth experienced in 2006. As noted previously in this communication, personal income in the Phoenix metropolitan area grew 8.9% in 2005 and 10.4% in 2006 and is estimated to be between 6.8% - 7.4% for 2007 and 6.6% in 2008.

Glendale's share of state income tax revenue is expected to increase 24%, from \$27.5 Million in the current FY to \$34.1 Million next FY. This sizable increase is expected because the state's net income tax collection in 2006 grew 28.5%, from \$3.5 billion in 2005 to \$4.5 billion in 2006.

State sales tax collections are expected to increase about 6% next FY, consistent with the increase expected for city sales tax receipts.

Motor vehicle in lieu collections are expected to increase a more modest 4% given that vehicle sales have slowed somewhat now that dealer incentives are less lucrative and gas prices have remained at an elevated level for an extended period of time.

The FY 2005-06 second quarter report on the GF and FY 2006-07 GF revenue projections were presented to the Council on March 14, 2006.

The FY 2005-06 third quarter report on the GF was presented to the Council on June 20, 2006.

The FY 2005-06 fourth quarter report on the GF was presented to the Council on November 21, 2006.

The FY 2005-06 first quarter report on the GF was presented to the Council on December 20, 2005.

This is a status report on the General Fund covering the first two quarters of FY 2006-07, as well as the General Fund revenue projection for FY 2007-08. No Council guidance is requested on this report.

Mr. Lynch began the presentation by saying the second quarter report covers the period of July thru December 2006. He noted that this report is consistent with second quarter reports presented in prior fiscal years in that ongoing expenditures are below budget

and ongoing revenues are ahead of budget.

Ms. Schurhammer explained the second quarter revenue slide by summarizing the bottom line information as coming in \$4.3M or 5% ahead of budget. When compared to the same time period last fiscal year, revenue has grown 8% or \$6.7M. She said the two main components of revenue growth are city sales tax and state-shared revenue, which grew 12% and 8% respectively. Overall, the vibrant growth pattern experienced in prior fiscal year is continuing.

Mr. Shuey addressed the information in the General Fund fund balance slide. He noted that expenditures came in below budget while revenues came in ahead of budget, resulting in some growth in the General Fund fund balance since the end of the first quarter. He concluded by saying the results are consistent with Council's policy direction to be fiscally sound as the city continues to follow prudent financial management practices as well as provide a cushion for flexibility to address future needs.

Mayor Scruggs asked a question concerning the General Fund salaries and benefit information in the council communication. She asked why it was \$3.8M below budget. Ms. Sherry Schurhammer said the difference is attributable to the time it takes to fill vacancies. Positions are budgeted for a full fiscal, yet some positions might be vacant for part of the year due to retirement or promotion. She said the amount of salary savings that accumulates by the end of the fiscal year would vary from year to year.

Mayor Scruggs asked if the salary savings is applied to the next year's budget. Ms. Schurhammer said yes, noting that the savings, which are one time in nature, are used to fund one-time expenditures in the next fiscal year.

Mayor Scruggs asked how the salary budget is established. Ms. Schurhammer said a salary forecast model based on actual salaries for filled positions is used. Vacant positions are usually budgeted at the mid-point of a salary range although there are some exceptions.

Mayor Scruggs suggested passing on the savings to the Police Department for personnel, salaries and benefits instead of using it for one-time expenditures. Ms. Schurhammer stated that the savings are one time in nature and therefore should not be allocated for ongoing costs such as salaries and benefits. Vice Mayor Martinez agreed with Mayor Scruggs on setting aside the money for the Police Department.

Mayor Scruggs suggested a discussion on this matter at a later date might be needed.

3. 2007 STATE AND FEDERAL LEGISLATIVE UPDATE AND REGIONAL OFFICE CENTER PRESENTATION

CITY STAFF PRESENTING THIS ITEM: Ms. Dana Tranberg, Intergovernmental Programs Director; Ms. Jessica Blazina, Deputy Intergovernmental Programs Director; Mr. Brent Stoddard, Legislative Coordinator

This is a request for the City Council to provide direction on proposed state legislation, consistent with the approved 2007 state legislative agenda; provide an update on the 2007 federal legislative agenda; and provide direction on a proposed regional office center for the three regional transportation agencies, Maricopa Association of Governments, Valley Metro/Regional Public Transit Authority and Metro Rail.

The purpose of the federal and state legislative agendas is to affect federal and state legislation and regulations as they relate to the interests of the city and its residents.

The 2007 state and federal legislative agendas provide the policy framework by which Intergovernmental Programs staff engages on state and federal legislative issues.

Throughout the 2007 legislative sessions, policy direction will be sought on proposed statutory changes which fall under the adopted council policy statements relating to the financial stability of the city, public safety issues, promoting economic development, managing growth and preserving neighborhoods.

Legislative Update

The Intergovernmental Programs staff recommends prioritizing the state legislative agenda to a few key issues to allow the city to have a stronger, more consistent message on the items of greatest priority. The proposed key priority issues for consideration are described in the reports that were provided with the council communication.

The legislative agenda defines the city's priorities for the upcoming session and will guide the city's lobbying activities at the Arizona State Legislature. The Intergovernmental Programs staff will come before the Council on a regular basis throughout the session for direction on bills and amendments that may be introduced. The city's legislative agenda is a flexible document and may change, based on activities at the Legislature and Council direction.

The Intergovernmental Programs Department has conducted a citywide assessment of potential federal funding opportunities to be included in the 2007 federal legislative agenda. Based on this assessment, staff recommends pursuing federal funding opportunities, including grant opportunities, line-item appropriations, earmarks and regulation revisions in the areas of: transportation, public safety, homeland security, historic preservation, libraries, youth workforce development and economic development initiative projects.

The Intergovernmental Programs Department returned at the February 20, 2007 workshop to present the comprehensive 2007 federal legislative agenda, inclusive of funding requests and policy areas for engagement.

Regional Office Center

The City of Glendale is a member of three regional agencies who currently lease office space in downtown Phoenix: Maricopa Association of Governments (MAG), Valley Metro, and Metro Rail. The leases for these agencies are going to expire over the next several years and the agencies will face increased lease rates based on the current market. In addition, the agencies are facing growth needs beyond their current space.

MAG has been holding a “Building Lease Working Group” over the last two years to consider alternative options to leasing and has recommended building a new Regional Office Center to allow all three regional agencies to be in a central location together.

On March 5, 2007, MAG held a workshop session for member agencies to review the detailed financial analysis of the proposed building.

At the March Board meetings of each of the three participating regional agencies, the Glendale representative will be asked if they support entering into a Memorandum of Understanding (MOU) for the Regional Office Center with the Phoenix Industrial Development Authority and the Regional Office Center LLC; and to execute a lease for 30 years for the Regional Office Center.

Legislative Update

On December 19, 2006, the Council approved the 2007 State Legislative Agenda, which included policy statements on municipal legislative priorities and principles.

On January 16, 2007, the Intergovernmental Programs staff presented legislative issues to the Council.

On January 30, 2007, the Intergovernmental Programs staff presented state legislative and federal issues to the Council.

On February 20, 2007, the Intergovernmental Programs staff presented state legislative issues and the 2007 federal legislative agenda to the Council.

On March 6, 2007, the Intergovernmental Programs staff presented state legislative issues and a federal legislative update to the Council.

Regional Office Center

This is the first update to the Council on this item.

The priorities and principles of Glendale’s 2007 state legislative agenda provide the venue for the city to identify and engage on state legislative issues. The key principles of the state legislative agenda are to preserve and enhance the city’s ability to deliver quality and cost-effective services to citizens and visitors; to address quality of life issues for Glendale residents, and to enhance the City Council’s ability to serve the

community by retaining local decision making authority and maintain state legislative and voter commitments for revenue sources.

Development of a 2007 federal legislative agenda provides the venue for the city to identify and engage on federal issues of concern to the community, which will enhance the ability of the city to deliver superior services and to address quality of life issues for the residents of Glendale.

Staff is requesting the Council to provide policy direction on the proposed state legislative issues and federal legislative program development. Staff is also requesting the Council to provide policy direction on the proposed Regional Office Center (ROC).

Ms. Dana Tranberg, Intergovernmental Programs Director, presented a summary on Senate Bill 1604. The bill would reimburse public agencies for the public safety expenses associated with hosting a major public event. She said that the reimbursement would be only for public safety cost and requires the definition of eligible events, which meet the criteria to remain very narrowly crafted. Staff recommends support of this bill.

Ms. Jessica Blazina, Deputy Intergovernmental Programs Director, presented a summary on the two strikes everything amendments that addressed municipal retail tax incentives. Senate Bill 1350 and House Bill 1215 are scheduled for committee hearings tomorrow. She stated that these bills were identical to the 2006 bills in which they were directed to oppose. These bills are limited in scope and only apply to retail sales and only apply to Maricopa County. Mayor Scruggs and Council stated that they were not in support of these bills.

Ms. Blazina presented a summary on Senate Bill 2369, which was the temporary signage bill. She stated that this bill requires all municipalities to allow sign walkers and implement a maximum fee of \$25.00 for a permit to post displays or use sign walkers. The fees would fund beautification of the city. Staff recommends not supporting this bill.

Mr. Brent Stoddard, Legislative Coordinator presented an update on Senate Bill 1555. He stated that the bill had been amended since first discussed. The amended bill now prohibits only a level three-sex offender who has been convicted of a dangerous crime against children. The sex offender is required to register and not to reside within 700 feet of a private or public primary or secondary school and childcare facility. The previous bill stated it to be 1500 feet away from these facilities.

The bill continues to grandfather in those persons who currently reside within the boundaries or for whom a new school might be built. In addition, it now exempts individuals who are on probationary status, have had their civil rights restored or who have been out of prison and not committed any subsequent offences for the past ten years. He added that staff was concerned with a floor amendment that would prohibit Cities to pass more restrictive local ordinances than in the bill. Staff recommends continuing to support this bill in its current form, however opposes any attempts to pass

more restrictive measures prohibiting Cities from passing additional restrictive measures.

Mayor Scruggs had concerns with the amendments made to this bill. Ms. Tranberg stated that in legislation there were always compromises. She anticipates additional amendments to this bill in the future.

Vice Mayor Martinez stated that he supports this bill even if he had concerns with the new amendments being issued. He noted that this bill is better than not having one at all.

Mr. Stoddard presented an update on Senate Bill 1360. This bill would remove an HOA's authority to regulate parking on a publicly owned street, regardless of the existing code, covenant or restrictions in regards to parking in the community. Staff communicated this bill to Council for information purposes only.

Mayor Scruggs asked if the State Legislators had the right to void contracts by private citizens. Mr. Stoddard stated that they had a right under certain conditions such as safety. He noted that he anticipated a lengthy discussion on this issue. Mayor Scruggs stated that she opposes this bill in part because they are imposing on people's rights.

Councilmember Lieberman stated that he agreed with Mayor Scruggs.

Councilmember Clark commented that if the HOA's do not restrict public parking, then the responsibility would fall to the city. She said it could possibly create an unfunded mandate on the city. She stated she does not support this bill.

Vice Mayor Martinez stated his opposition of this bill. He said that this was also a safety issue.

Councilmember Frate stated that this seemed like a public safety issue because as of now, police officers were able to go into neighborhoods that don't have vehicles parked on the streets and be able to easily spot a suspicious vehicle. He does not support this bill.

Mr. Stoddard presented an update on the Regional Office Center. The City of Glendale is a member of three regional agencies who currently lease office space in downtown Phoenix and would be occupying the new center at the end of their leases. They are the Maricopa Association of Governments (MAG), Valley Metro, and Metro Rail. The Arizona Municipal Water Users Association board has voted not to be a part of this regional office center. He stated that the total estimated cost of the building was \$86.9 Million over thirty years. Each of the three agencies has identified the funds they will use to cover their portion of financing the building. He stated that the building would be located on the corner of 1st Avenue and West McKinley on approximately 1.56 acres of land. The building would be ready to move into by October or November of 2009.

Vice Mayor Martinez stated his support. He noted that the City of Glendale would not incur any debt in regards to this venture.

Councilmember Clark stated her support and appreciates everyone's efforts on this item.

Councilmember Lieberman also stated his support on this item.

Councilmember Frate asked how many stories would the building have. Mr. Stroddard stated that it would have 11 stories.

Mayor Scruggs stated her support on this item.

ADJOURNMENT

The meeting was adjourned at 4:15 p.m.